

# **SALES AND USE TAX REVIEW COMMISSION**

## **RECOMMENDATION PURSUANT TO P.L. 1999, C.416**

BILL NUMBER: S-2198

DATE OF  
INTRODUCTION: March 8, 2001

SPONSOR: Senator Kosco  
Senator Matheussen

DATE OF  
RECOMMENDATION: April 2, 2001

IDENTICAL BILL: A-3272

COMMITTEE: Senate Law & Public Safety

### **DESCRIPTION:**

Exempts the sale of child restraint systems for use in motor vehicles, provided that they meet the most recent federal safety standards

### **ANALYSIS:**

There is wide variance in the price of child restraint systems, from inexpensive basic models to multi-use luxury versions at a premium price. Consumers who cannot afford to purchase the least expensive units are not going to be either encouraged or economically assisted by being relieved of the obligation to pay 6% tax. Thus the bill, as enacted, would seem to do nothing to promote safety by encouraging people to purchase child restraints. Instead, the exemption would simply be regressive in its effect, providing a far greater tax benefit to consumers who purchase expensive luxury child restraints and minimal benefit to those who can afford only the inexpensive models. The Commission believes that the imposition of tax on the purchase of child restraints would never work as a disincentive to purchase. Parents who can afford to do so will safeguard their children whether or not a tax exemption is enacted.

The Commission believes that the assumed objective of the bill, promotion of car seat use in New Jersey, could be achieved by legislation such as S-2196 or A-3273, which appropriate \$1,000,000 to reimburse counties for the purchase of child passenger seats to be distributed at no charge to households whose income is not more than twice the federal poverty level.

There are no strong tax policy reasons to support this exemption. Enactment of special exemptions for purchases of socially desirable merchandise tends to create an increased demand for similar exemptions for other good, useful, necessary, or politically favored purchases. Such piecemeal small exemptions alter the broad-based nature of the sales and use tax and reduce its credibility as a fairly administered and simple to understand tax. A broad-based tax, imposed with limited exemptions on a wide range of transactions, is easy to understand and administer, and is generally perceived by consumers as economically neutral and “fair”. When imposed at a fairly low rate, the burden, per transaction, on the individual taxpayer, is relatively small, but the cumulative revenue generated can be enormous. An exemption for motor vehicle child restraint devices would save an individual taxpayer a fairly insignificant sum. However, the cumulative loss of revenue to the State could be substantial, leaving the State to find other means of generating the funds lost as a result of another exemption.

RECOMMENDATION: Oppose

COMMISSION MEMBERS FOR PROPOSAL: 0

COMMISSION MEMBERS AGAINST PROPOSAL: 7

COMMISSION MEMBERS ABSTAINING: 0

COMMISSION MEETING DATE: March 28, 2001

CMT:sp